



STATE INVESTMENT BOARD  
BOARD ADOPTED POLICIES

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**POLICY NUMBER:** 2.00.400

**EFFECTIVE DATE:** 7/15/99

**TITLE:** Delegation of Authority

**SUPERSEDES:** 11/20/97

**BOARD ADOPTION:** 7/15/99

**APPROVED:** *James F. Parker*

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**PURPOSE:**

This policy defines:

1. The delegation of the State Investment Board's (SIB) authority to the executive director "...for the efficient and effective conduct of Board business."
2. The delegation of the SIB's discretionary authority to external managers and advisors "...to purchase or otherwise acquire, sell, or otherwise dispose of or manage investments or investment properties on behalf of the Board..."
3. The delegation of authority by the executive director to SIB staff for day-to-day activities and provides guidelines under which those activities can be delegated.

**POLICY:**

**Part 1 - Delegation of Authority to the Executive Director**

As provided in RCW 43.33A.030, "The Board may delegate any of its powers and duties to the executive director as deemed necessary for efficient administration and when consistent with (its) purposes." With the exception of the specific delegation authorized by RCW 43.33A.030, 43.33A.035 and Part 2 of this policy, the Board may not delegate its authority to any person or entity other than the executive director. In addition, the Board may elect at any time to supersede or modify the authority delegated here for the purpose of a particular decision, event or transaction without changing this policy. In exercising his/her delegated authority, the executive director will provide the Board with the information and reports necessary for the Board to fulfill its fiduciary duty to monitor and review the actions of the SIB staff.

The executive director, or his/her designee, is authorized to act on behalf of the SIB as follows:

**A. Delegation of Authority - Administration**

**1. Operations**

The executive director is authorized to administer the day-to-day operations of the SIB. As agency head, the executive director has all powers and authority normally vested in similar positions in other state agencies to include, but not be limited to, the hiring and firing of staff, and the commitment of funds necessary to the efficient conduct of SIB business. In carrying out these duties, the executive director must ensure compliance with Board policies and directives, as well as applicable federal and state laws and regulations.

**2. Contract Awards**

All contracts, both competitive and sole source, must be processed according to applicable state laws and regulations; and must meet applicable filing and/or approval requirements established by the Office of Financial Management. The executive director is authorized to negotiate and enter into contracts as follows:

**a. Investment-Related Services** (e.g., external money managers, investment consultants, and advisors)

The delegation of authority to external investment managers and advisors by contract is set forth under Part 2 of this policy. All such contract awards will be approved by the Board.

Prior approval from the Board is required before competitive or sole source solicitation is initiated. The Board will review, consider, and make final contract award selection(s); stipulate special provisions, terms, or conditions of the contract; and approve the award of a contract. For any given contract award, modification, or extension, the Board may delegate all required approvals to the executive director. Legal review by the assistant attorney general for compliance with state requirements and Board policies is required for all such contracts. The executive director may approve no-cost time extensions.

In an emergency, the executive director is authorized to act on behalf of the Board to terminate contracts with investment managers. Emergency situations are those in which a significant risk of loss to the funds exists and the cause for dismissal of the investment manager is so severe and urgent that immediate action is required. Such emergency terminations are subject to the procedures provided in SIB

Policies 3.30.100, External Manager (Public Securities) Monitoring, and 4.60.900, Contract Management and Administration. The executive director will consult with the Attorney General's Office and obtain approval of the chair of the Board (or vice-chair in the chair's absence, or committee chair if neither the Board chair or vice-chair are available) in advance of any emergency action and will report any action at the next Board meeting.

**b. Legal Services**

Since the arrangement for outside legal counsel is within the purview of the Attorney General's Office, the Board delegates to the executive director the authority for ongoing coordination, oversight, and periodic reporting of relevant activity to the Board.

**c. Operations**

Contracts pertaining to the day-to-day operations (e.g., leases, personal services contracts, interagency agreements, memoranda of understanding, procurement and maintenance agreements) shall be consistent with state practices and executed by the executive director. The executive director shall exercise his/her discretion regarding the need for legal review.

**B. Delegation of Authority - Investments**

**1. Asset Allocation**

The executive director is authorized to make day-to-day asset allocation decisions necessary to comply with the asset allocation policies adopted by the Board. The executive director will report asset allocation decisions to the Board for review on a quarterly basis.

**2. Fixed Income/Equities/Cash**

The executive director is authorized to execute investment transactions internally, consistent with policies and directives adopted by the Board. In addition, the executive director is authorized to monitor the actions by any external fund manager to ensure compliance with the terms and conditions of the contract between the manager and the Board. The performance of all internally and externally managed funds will be subject to periodic review by the Board.

### **3. Private Equity Investments**

The executive director will have full authority to manage private equity investments subject to general oversight of the Board. The authority of the executive director to approve or execute transactions in the area of private equity investments will be limited to specific powers granted with each contract or transaction, as approved in advance by the Board. The executive director is authorized, in any case, to execute waivers, modifications, extensions, and dissolutions of partnership agreements, and to represent the Board at advisory/partnership meetings. The Board will approve, in advance, all new investments, contract awards, and the commitment of funds.

In an emergency, the executive director is authorized to act on behalf of the Board to dissolve/withdraw from partnership agreements. Emergency situations are those in which a significant risk of loss to the funds exists and the cause for dissolution of the partnership agreement is so severe and urgent that immediate action is required. The executive director will consult with the Attorney General's Office and obtain approval of the chair of the Board (or vice-chair in the chair's absence, or committee chair if neither the Board chair or vice-chair are available) in advance of any emergency action and will report any action at the next Board meeting.

### **4. Real Estate**

The executive director will have full authority to manage real estate assets subject to general oversight by the Board. The authority of the executive director to approve or execute transactions in the area of real estate will be limited to: (a) specific powers granted with each contract or transaction, as approved in advance by the Board; or, (b) the authority set out for staff in SIB Policy 2.10.600, Real Estate Program. The executive director is authorized, in any case, to execute waivers, modifications, extensions, and dissolutions of partnership agreements, and to represent the Board at advisory/partnership meetings. Except as provided, the Board will approve, in advance, all new investments in commingled funds, REITS, operating companies, investment vehicles involving more than one investor, capital commitments to separate account managers, contract awards, and amendments. In an emergency, the executive director is authorized to act on behalf of the Board to dissolve/withdraw from partnership agreements. Emergency situations are those in which a significant risk of loss to the funds exists and the cause for dissolution of the partnership agreement is so severe and urgent that immediate action is required. The executive director will consult with the Attorney General's Office and obtain approval of the chair of the Board (or vice-chair in the chair's absence, or committee chair if neither the Board chair or vice-chair are available) in advance of any emergency action and will report any action at the next Board meeting.

**5. Annual Business Plans and Budgets**

The executive director will have full authority to approve annual budgets and annual business plans related to real estate and partnerships provided the budgets and plans are consistent with the provisions of existing agreements and good business practices. Business Plan approval by the executive director contemplates sales, financing, and capital recommendations made by the SIB's respective advisors, unless major decisions involve capital amounts in excess of \$50 million, which, pursuant to Board policy, requires Board approval.

**C. Delegation of Authority - Legal Action**

**1. General**

When the Board is named as a defendant in a legal action or finds it necessary to initiate legal action to protect the interests of its beneficiaries, directions to the assistant attorney general and/or contracted legal counsel (as applicable) must be approved by the Board in advance of any official action. In an emergency, the executive director is authorized to act on behalf of the Board with the advice of the assistant attorney general and/or contracted legal counsel if appointed special assistant attorney general for that case (as appropriate). The executive director will notify the chair of the Board in advance of any emergency action and will report any action at the next Board meeting.

**2. Class Action Lawsuits**

The executive director is authorized to join class action lawsuits on behalf of the Board so that it may share in any distribution from the settlement, unless he/she determines that legal action by the Board, independent of a class action lawsuit, is advisable. He/she may consult with the assistant attorney general as deemed necessary. The executive director will report to the Board, at their next meeting, any decisions regarding class action suits.

**D. Delegation of Authority - Monthly Defined Contribution Valuation**

The executive director will have full authority to declare monthly unit values for the portfolios or funds in defined contribution type plans that have an investment option invested in the defined benefit portfolio of the retirement funds. The declared unit values shall represent an approximation of portfolio or fund values based upon valuation data (regarding both publicly traded securities and privately held securities such as private placements, real estate, private equity, etc.) most recently provided to and known by the executive director at the time that a value is declared. The unit values thus declared will be communicated to the Department of Retirement Systems for participant account valuing and recordkeeping purposes.

## **Part 2 - Delegation of Authority to External Investment Advisors and Managers**

As provided in RCW 43.33A.035, "The Board or its executive director may delegate by contract to private sector or other external advisors or managers the discretionary authority, as fiduciaries, to purchase or otherwise acquire, sell, or otherwise dispose of or manage investments or investment properties on behalf of the Board..."

The specific authority of any external fund manager or investment advisor is subject to investment or management criteria established by the Board or the executive director and will be specified in a contract. Investment or management criteria relevant to particular investments or class of investments applicable under a contract with an advisor or manager must be incorporated by reference into the contract. Such contract awards will be approved by the Board.

## **Part 3 - Further Delegation of Authority by the Executive Director**

As provided in RCW 43.33A.030, "Subject to guidelines established by the Board, the Board's executive director may delegate to Board staff any of the executive director's powers and duties..." The executive director, while retaining responsibility for all delegated authority he/she may exercise, may further delegate the authority (including signature authority) necessary to SIB staff to conduct day-to-day activities, through written delegation. This provision includes, but is not limited to, the types of authority listed in Part 1 above.

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